



FOR IMMEDIATE RELEASE

June 7, 2006

## FACT SHEET

### **SANDERS SIGNS FIRST STRONG MAYOR ‘HONEST’ BUDGET INTO LAW**

#### ***GROUNDBREAKING CHANGES PART OF MAYOR’S FIRST BUDGET; MANAGERIAL REFORMS WILL BE IMPLEMENTED TO OVERCOME \$34 MILLION + IN ADDITIONAL FY08 OBLIGATIONS***

Mayor Jerry Sanders today signed the City’s FY07 \$2.6 billion budget into law, the first to be crafted and shepherded by a strong mayor in over 70 years. The \$2.6 billion budget includes a \$1 billion General Fund budget.

Honesty and transparency are the hallmark of the Mayor’s first budget. The Mayor will now turn his attention to a number of managerial reforms that will have to be implemented to address over \$20 million in additional obligations expected in FY08.

#### **FY07 BUDGET REFORMS AND ACCOMPLISHMENTS**

The budget the Mayor signed into law today is structurally sound and honest. The hallmarks of this budget, as compared to past ones, include:

- Accurate reporting of the City’s true projected revenues and expenses, including a vacancy factor for City departments.
- Identifying and funding supplemental positions throughout the City.
- Funding police department overtime (\$8.6 million) so that the department can staff to 2,100 officers. The practice of balancing a budget by hiding overtime expenses will not continue.
- Increasing the budgets of the San Diego Police and Fire departments by \$38 million to address long-ignored needs.
- Fully and accurately funding overhead costs in City departments.
- Appropriately placing employees in their real cost centers.
- A commitment to audit enterprise funds every 3 years to ensure the appropriateness of charges.
- Not making further reductions to City services after 3 years of service cuts.

- Funding Retiree Health on a “pay as you go” basis (\$21 million) in FY07 while also contributing \$5 million to establish an interest bearing special fund.

### **FY08 BUDGET CHALLENGES**

In anticipation of FY08, the City will have to face \$34 million + in additional obligations over FY07 as follows:

#### **KNOWN OBLIGATIONS**

<b>Obligation</b>	<b>Amount Anticipated</b>
Negotiated salary increases/fringe already approved for MEA, Local 127	\$13 million (General Fund) \$13 million (non General Fund)
Annual review of appropriate vacancy factors throughout the City (potentially resulting in less savings to the General Fund)	\$6-8 million
Sub-Total	\$34 million

#### **ANTICIPATED OBLIGATIONS WITH UNKNOWN FINANCIAL COSTS**

<b>Obligation</b>	<b>Amount Anticipated</b>
Increased Pension Funding, to include paying contingent liabilities	?
Post retirement medical (due to increased medical costs)	?
Increased Funding to Post Retirement Medical Trust Fund	?
Increasing costs of operation (inflation)	?
New facility costs	?

In addition to the obligations cited above, the Mayor has also established the following as priorities:

- Rebuilding the City’s reserves.
- Funding additional deferred maintenance.
- Funding critical capital improvements to the water and wastewater systems and infrastructure such as roads and fire stations.
- Partially restoring service cuts made over the past 3 years.
- Maximizing existing revenue sources such as those managed by Real Estate Assets.

These additional challenges will come at a time when the city is projecting:

- Flatter revenue growth. In FY07, revenue grew by 5% overall; and
- Greater transparency in budget has resulted in less flexibility because revenues have been accurately projected.

### **FY07 REFORMS**

The need for reforms that result in costs savings cannot be emphasized enough. Over the course of the next year, Mayor Sanders’ administration will implement an aggressive set of reforms that will result of cost-cutting at City Hall, including:

- City departments, processes and functions will be examined with the objective of reducing costs and creating managerial efficiency through Business Process Re-engineering (BPR).

- 500 positions will be eliminated.
- Additionally, in November, San Diego residents will vote on the Mayor's Managed Competition reform, a process where public employees compete with the private sector to perform City services more efficiently and effectively.
- A thorough examination of pay and benefits for all employee groups.
- Creating a new pension system for new employees.
- Completing the various investigations and audits so that the City can re-enter the financial markets and obtain public capital for critical projects.
- New fiscal policies will be instituted to address reserves, public liability funds, and a new set of internal controls.

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Reserves:

18 million (2%)

10.7 million (year end results)

7.5 million (added as part of FY07 budget)

10.4 million (potential reimbursement from SANDAG)

46.6 (4.6%) goal is 8%